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GUATEMALA

SNAPSHOT

Energizing Rural Financial Markets

Overcoming barriers to financial services for small and medium size producers, especially agricultural producers



*Business Conference and Fair held in Quetzaltenango
Photo: AGEXPORT*

Market studies for the reduction of information asymmetries and the redesign of financial mechanisms as Guarantee Funds has been a task done in conjunction by the Government, the IFI's, and the producers.

There are several factors in supply and demand that lead to limited financial inclusion. These factors are characterized from the supply side by the presence of few and sometimes fragile financial intermediaries, with a reduced range of low quality services, that are not appropriate for the demands of the market, and at a high effective cost, including interest rates and transaction costs. On the demand side, the structure is highly fragile due to limitations in productivity, exposure to significant climate and market risks, and the high concentration of activities in just a few categories. These demand and supply areas, which hinder rural, mainly agricultural, producers' access to financial services, are the main ones analyzed in the three studies conducted by the Guatemala's Exporters Association (AGEXPORT) through the grant provided by the USAID Policy Regulatory Support for Economic Growth Project (PRS).

These studies collected information on five Feed the Future (FTF) focus areas from 17 commercial banks; nine of the 22 credit and savings cooperatives that are part of the MICOOPE System; 11 micro-credit non-governmental organizations; and ten coffee, vegetable, and potatoes producers. To decrease the imbalance of information in the market, the PRS Project through the grant to AGEXPORT, jointly organized a business conference and fair that was held in October 2014. The purpose of the event, which was organized in coordination with AGEXPORT, producers, and various financial institutions, was to allow the market actors to directly address the market limitations found by the study.

As noted during the studies conducted by the PRS Project, agribusinesses in Guatemala have limited access to financial services due to market barriers and the perception among financial institutions that agribusinesses are high risk investments. Therefore, the roundtable attendees decided to review the design and operations of the Ministry of Agriculture, Livestock, and Food's (MAGA, Spanish acronym) guarantee fund, *GuatElvierte*, as well as other national and international experiences. The result was the proposed overhaul of the design, governing structure, and operations of credit guarantee funds that are available to the Government, financial institutions, and rural producers.

Telling Our Story

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